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TO SECSTATE WASHDC PRIORITY 1121 15 0000 000000

UNCLAS SECTION 1 OF 1 BEIJING 1143

PASS TREASURY

L. O. 17655: X/A-

14CS: 2074 CM US

SUBJ: SECRETARY BLUMENTHAL'S MARCH 1 PRESS CONFERENCE

THE FOLLOWING IS A TRANSCRIPT OF SECRETARY BLUMENFELD'S
MARCH 1 PRESS CONFERENCE HELD AT 6:00 PM AT THE AMERICAN
EMBASSY BEIJING:

APR 19 1981

SECOND: I'D LIKE TO SUMMARIZE FOR YOU THE WORK THAT WE HAVE DONE HERE IN THE COURSE OF THE LAST SEVERAL DAYS IN OUR DISCUSSIONS WITH CHINESE OFFICIALS RELATING TO THE NORMALIZATION OF ECONOMIC RELATIONS BETWEEN OUR TWO COUNTRIES. I THINK YOU ARE ALL AWARE OF THE MEETINGS THAT I HAVE HAD WITH THE VARIOUS OFFICIALS AND WHO THEY WERE. LET ME RUN BRIEFLY THROUGH THE VARIOUS SUBJECTS AND WHERE THEY STAND.

151. WITH REGARD TO THE CLAIMS ASSETS QUESTION-
ALL PROBLEMS HAS BEEN DONE NO FORMAL AGREEMENT WAS IT
BEING DISCUSSED AND WE ARE STILL WORKING ON IT BUT WE HAVE
MADE A SEVERAL OTHER PROGRESS AND WE WILL ALSO HAVE
IMPROVED. ON TRADE QUESTIONS WE HAD A NUMBER OF
WORKING SESSIONS RELATING TO A TRADE AGREEMENT. BOTH
GOVERNMENTS HAVE EXPRESSED A MUTUAL INTEREST TO
PROCEED RAPIDLY TOWARD SUCH AN AGREEMENT. IT WAS
AGREED BETWEEN US THAT THAT AGREEMENT HAS TO DEAL WITH
MOST FAVORED NATION TREATMENT AND RECIPROCITY, WITH
FACILITIES FOR BUSINESSMEN, WITH GOVERNMENT TRADE OFFICES
AND TRADE EXHIBITS, WITH PATENT AND COPYRIGHT QUESTIONS,
DISPUTE SETTLEMENT AND INDUSTRIAL COOPERATION. THE TWO
GOVERNMENTS ALSO AGREED TO THE ESTABLISHMENT AND THE
STRUCTURE OF A US-CHINA JOINT ECONOMIC COMMITTEE. THIS
COMMITTEE WILL BE CHARGED WITH COORDINATING AND OVERSEEING
THE ORDERLY DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN
THE TWO COUNTRIES. IT WILL BE CO-CHAIRD BY VICE PREMIER
YU QIULI FOR CHINA AND BY MYSELF FOR THE US. THE MEMBERS
OF THE COMMITTEE ON BOTH SIDES WILL BE ON THE US SIDE A
CABINET LEVEL AND ON THE CHINESE SIDE AT A CORRESPONDING
LEVEL. IN THAT REGARD I INVITED VICE PREMIER YU TO VISIT
WASHINGTON AT A MUTUALLY CONVENIENT TIME IN ORDER TO
CONTINUE THE WORK OF THE COMMITTEE AND IT IS EXPECTED THAT
BY THE TIME THE VICE PREMIER WILL VISIT WASHINGTON WE WILL
HAVE REACHED A POINT WHERE ANOTHER MEETING OF THE JOINT
ECONOMIC COMMITTEE WILL BE NECESSARY. DURING THE
MEETINGS WITH OFFICIALS OF THE BANK OF CHINA I INVITED
THE BANK TO OPEN A BRANCH OFFICE IN THE UNITED STATES
AND OFFICIALS FROM THE BANK INFORMED ME THAT THEY
INTENDED TO DO SO AT AN EARLY DATE. IN TURN, THE BANK
OF CHINA HAS INVITED A DELEGATION FROM THE FEDERAL RESERVE
SYSTEM TO VISIT BEIJING. AS YOU KNOW, WE ALSO HAD TWO
WORKING SESSIONS ON TAX MATTERS AND INFORMATION WAS
EXCHANGED BETWEEN OFFICIALS ON BOTH SIDES ON THEIR
RESPECTIVE TAX SYSTEMS. THE ESTABLISHMENT OF THE JOINT
COMMITTEE, THE INITIATION OF THE DISCUSSIONS ON THE TRADE
AGREEMENT AND ON BUSINESS FACILITATION, THE EXCHANGE OF

INFORMATION ON TAXATION, THE EXCHANGE OF INFORMATION ON BANKING AND THE AGREEMENTS REACHED TOGETHER HAVE FOR CONSIDERABLE PROGRESS IN IMPLEMENTING THE NORMALIZATION OF OUR ECONOMIC RELATIONS. WE ARE VERY ENCOURAGED BY THIS AND CERTAINLY CONSIDER THAT THE PURPOSE FOR WHICH I CAME TO VISIT BEIJING AS IT RELATES TO OUR ECONOMIC RELATIONS HAS BEEN ACHIEVED. I'LL TAKE THE QUESTIONS NOW.

Q: IN SPEAKING OF THE ASSETS ISSUE YOU MENTIONED THAT YOU ARE

STILL WORKING ON IT. ARE YOU INDICATING THAT AN
AGREEMENT MIGHT STILL BE REACHED WHILE YOU ARE STILL IN
CHINA?

A: I CAN'T TELL. IT IS POSSIBLE. WE WILL CONTINUE TO WORK ON THIS AND WE WILL ADVISE YOU IF THERE ARE FURTHER DEVELOPMENTS.

Q. ARE YOU SAYING THAT WHILE YOU ARE IN SHANGHAI
NEGOTIATIONS WILL BE GOING ON?

A: I WILL BE WITH OFFICIALS OF THE MINISTRY OF FINANCE AND WE WILL CONTINUE TO WORK ON THIS PROBLEM.

Q: WILL IT BE A MATTER OF DAYS, WEEKS OR MONTHS ON THE CLAIMS/ASSETS ISSUE

Q: I THINK WE HAVE MADE CONSIDERABLE PROGRESS AND I DON'T THINK IT SHOULD TAKE A LONG PERIOD OF TIME.

Q: WHAT FURTHER DO THE CHINESE HAVE TO DO TO ACCOMPLISH
AFM STATUS?

A: AT THIS POINT THEY DON'T HAVE TO DO ANYTHING. THIS WILL BE CONTAINED IN A TRADE AGREEMENT AND WE WILL BE NEGOTIATING WITH THEM IN COMING YEARS AND MONTHS. WE HAVE NOT ASKED THEM TO DO ANYTHING FURTHER AT THIS POINT.

Q: DOES THAT MEAN WE CAN TAKE IT THEY ARE ABOUT TO BE GRANTED NEW STATUS?

A: NO. NOT AT ALL.

Q: ARE YOU SAYING THEY ARE OV ELIGIBLE FOR MSM STATUS?

A: NO, I AM NOT SAYING THAT EITHER. I AM SAYING THAT WE HAVE NOT ASKED THE CHINESE TO DO ANYTHING FURTHER. WE HAVE AGREED THAT THE QUESTION OF WHEN HAS TO BE DEALT WITH IN THE CONTEXT OF A TRADE AGREEMENT. WE HAVE FURTHER AGREED THAT NEGOTIATIONS ON A TRADE AGREEMENT WILL BE PURSUED IN COMING YEARS, AND THAT IS ONE OF THE ITEMS ON THE AGENDA. IT WILL BE PURSUED AND THAT'S AS FAR AS

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NOT BE PURSUED AND THAT'S AS FAR AS

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SECTION ANALYSIS

SECTION TAXES

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Action Office Symbol _____
Name of Officer _____

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TO SECSTATE WASHDC PRIORITY 4322

UNCLAS SECTION 2 OF 3 BEIJING 1143

PASS TREASURY

I CAN GO.

Q: MR SECRETARY, ARE YOU SAYING THAT MEMBERS OF THE
MINISTRY OF FINANCE ARE GOING TO SHANGHAI WITH YOU TO
CONTINUE NEGOTIATIONS?

A: I AM SAYING THAT MEMBERS OF THE MINISTRY OF FINANCE
WILL BE GOING TO SHANGHAI WITH ME AND IT IS THEREFORE
POSSIBLE TO HAVE CONTACT WITH THEM ON THE NEGOTIATIONS.
THEY ARE NOT GOING FOR THAT PURPOSE BUT THE FACT THAT THEY
ARE GOING MAKES IT POSSIBLE.

Q: WHAT ARE THE ASPECTS OF THE CLAIMS/ASSETS QUESTION
THAT ARE STILL UNRESOLVED?

A: SINCE THAT IS UNDER NEGOTIATION I DON'T WANT TO GO INTO
DETAIL ON THAT POINT. WE HAVE MADE CONSIDERABLE
PROGRESS. BOTH SIDES ARE IN TOUCH WITH EACH OTHER AND
WITH THEIR RESPECTIVE PRINCIPALS AND THAT PROGRESS IS
CONTINUING.

Q: WOULD YOU TURN IT AROUND AND TELL US WHAT IS RESOLVED?

A: I CAN'T TELL YOU ANYTHING FURTHER ON THE CONTENT, ON
EXACTLY WHERE WE ARE, WHAT WE HAVE AGREED TO, WHAT WE
HAVE NOT AGREED TO. I WILL HAVE TO WAIT UNTIL THAT ISSUE
IS FURTHER ALONG.

Q: ON EX-IM BANK CREDITS YOU SAID THAT THE SUBJECT WILL
BE SENT TO CONGRESS IN THE CONTEXT OF A TRADE AGREEMENT.
I DON'T UNDERSTAND WHETHER THAT MEANS THAT PART OF THE
TRADE AGREEMENT WOULD BE A CLAUSE IN THE AGREEMENT OR
A CONNECTED ISSUE.

A: IT IS MY UNDERSTANDING THAT THAT IS A SEPARATE
MATTER. YOU ARE TALKING NOW ABOUT OFFICIAL EX-IM BANK
CREDITS. THAT IS A SEPARATE ISSUE. IT IS NOT DIRECTLY
IN A TRADE AGREEMENT. IT IS REALLY A PARALLEL ISSUE
ON RELATED ISSUES.

Q: ARE YOU DISAPPOINTED THAT YOU ARE GOING HOME WITHOUT
ANY REAL AGREEMENT ON THE CLAIMS/ASSETS ISSUE?

A: FIRST OF ALL, I AM NOT GOING HOME YET. SECONDLY, AS
I INDICATED EARLIER ON BEFORE WE STARTED OUT THAT THIS
IS A DIFFICULT PROBLEM, A LONG-STANDING PROBLEM. BOTH
SIDES HAVE WORKED VERY HARD TO RESOLVE IT AND I AM VERY
ENCOURAGED THAT WE HAVE ALREADY MADE SUBSTANTIAL PROGRESS.
WE WILL JUST HAVE TO WAIT AND SEE WHAT HAPPENS NOW.

MR SECRETARY, WHAT WILL BE THE PURPOSE OF THE VISIT
OF THE FEDERAL RESERVE SYSTEM?

A: THE PURPOSE WOULD BE TO TAKE UP THE CONTACT BETWEEN
THE TWO CENTRAL BANKS AND TO EXCHANGE FURTHER INFORMATION

Q: THEIR MUTUAL OPERATIONS AND ESTABLISH PRACTICAL
METHODS FOR CONTACT AND COOPERATION BETWEEN THEM IN THE
FUTURE.

Q: THE BRANCH OF THE BANK OF CHINA TO BE OPENED IN THE
US WILL IT BE AUTHORIZED TO DO BUSINESS, TAKE DEPOSITS,
MAKE LOANS TO THE PUBLIC GENERALLY WHICH IS TO SAY
BUSINESS PRIMARILY, OR WILL BE BE CONFINED IN ITS RELATIONS
WITH OTHER BANKS, WITH COMMERCIAL BANKS?

A: THAT REALLY HAS NOT BEEN DECIDED. THE ONLY THING
THAT WAS DISCUSSED IS THE ESTABLISHMENT OF A BRANCH
OF THE BANK OF CHINA IN THE US AND AND INDICATION BY
THE CHINESE SIDE THAT THEY INTENDED TO DO SO AT AN
EARLY DATE. THE TERMS AND CONDITIONS, THE KIND OF
FACILITIES THAT THAT BANK WOULD PROVIDE REALLY WERE NOT
DISCUSSED.

Q: WILL THE CLAIMS/ASSETS ISSUE HAVE TO BE RESOLVED
BEFORE THE BANK OF CHINA BRANCH CAN BE LOCATED IN THE US?

A: AS I HAVE PREVIOUSLY INDICATED, VIRTUALLY EVERY ASPECT OF
OUR ECONOMIC RELATIONS WOULD BE GREATLY FACILITATED AND,
INDEED, REQUIRES IN SOME INSTANCES THAT THE CLAIMS/ASSETS
ISSUE IS RESOLVED. THAT WOULD INCLUDE THIS PARTICULAR ONE
REALLY I AM SURE.

Q: MR SECRETARY, AREN'T YOUR NEGOTIATIONS OVER ON THE
CLAIMS/ASSETS ISSUE? YOU REALLY DON'T HAVE ANY OTHER
NEGOTIATIONS SCHEDULED?

A: WE CONTINUE TO BE IN TOUCH WITH EACH OTHER AND TO TALK
TO EACH OTHER. WE ARE ALSO IN TOUCH WITH OUR RESPECTIVE
PRINCIPALS AND THEY ARE NOT OVER.

Q: WHERE WILL THE BANK OF CHINA PUT ITS BRANCH?

A: THAT'S NOT BEEN DECIDED - IN THE US.

Q: WAS A D
AT SET FOR THE NEXT MEETING? DO DISKES JJ
I
DOE TREATY?

A: IT WAS DECIDED THAT THERE WOULD BE CONTACTS THROUGH
DIPLOMATIC CHANNELS IN THE MONTHS OF MARCH WITH THE
LIKELIHOOD OF A FURTHER MEETING BETWEEN CHINESE AND
AMERICAN OFFICIALS IN APRIL.

Q: WILL SOME KIND OF DOCUMENT BE ISSUED INDICATING IN
MORE DETAIL WHAT HAS BEEN ACCOMPLISHED?

A: NO.

Q: WOULD YOU BE MORE SPECIFIC THEN ON FACILITATION
OF BUSINESS RELATIONS, ON AVIATION, ON PATENTS, COPY-
RIGHTS, THE OTHER THINGS THAT YOU MENTIONED?

A: THERE ARE NO SPECIFIC NEGOTIATIONS ON AVIATION, ON
SHIPPING OR ANY OF THESE MATTERS. WHAT WAS DECIDED WERE
THE HEADINGS OF A TRADE AGREEMENT. THE ISSUES THAT HAD
TO BE INCLUDED IN A TRADE AGREEMENT, THE METHOD OF
NEGOTIATING THIS, THE PRIORITIES. THE PRIORITIES
BEING BUSINESS FACILITATION, A TIME TABLE FOR DEALING WITH
THESE MATTERS ALONG THE LINES THAT I HAVE PREVIOUSLY
INDICATED SEVERAL TIMES. WE DID NOT DO ANY NEGOTIATION
ON BUSINESS FACILITIES. WE DID NOT ATTEMPT TO NEGOTIATE
AN AIR AGREEMENT OR SHIPPING AGREEMENT, OR TO RESOLVE THE
QUESTION OF COPIES OR PATENTS, NOR DID WE EVER INTEND TO

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UNCLAS SECTION 3 OF 3 BEIJING 1143

C O R R E C T E D C O P Y (NEXT SECOND PARA)

PASS TREASURY

CONSIDER OBSTACLES TO PROGRESS ON THESE ISSUES OR ANY
STUMBLING BLOCKS, OR WAS IT ALL SMOOTH SAILING AND
JUST A MATTER OF TIME FOR MORE TIME OR ARE THERE
TOUGH PROBLEMS THAT YOU DIDN'T ANTICIPATE?

A: I WOULD SAY THAT I FULLY EXPECTED THAT THE CLAIMS/
ASSETS ISSUE WOULD BE ONE IN WHICH A NUMBER OF TOUGH
PROBLEMS WERE TO BE SOLVED. THAT TURNED OUT TO BE THE
CASE. AT THE SAME TIME, CONSIDERABLE PROGRESS HAS BEEN
MADE, CERTAINLY AS MUCH AS I HAD EXPECTED AND HOPED AT
THIS POINT. ON ALL OF THE OTHER MATTERS IN THE FOUR DAYS
OF VERY INTENSIVE MEETINGS NOT ONLY BY MYSELF BUT BY MY
COLLEAGUES I WOULD SAY NO OBSTACLES OR SPECIAL PROBLEMS
HAVE DEVELOPED THAT I AM AWARE OF. THE ATMOSPHERE HAS
BEEN PRAGMATIC AND GOOD AND I THINK WE ARE WELL ON THE WAY
TOWARD WORKING OUT EACH OF THESE INDIVIDUAL ITEMS THAT
I TO BE PART OF A TRADE AGREEMENT OF THAT HAVE TO BE
WORKED OUT PARALLEL TO IT SO THAT I AM ENCOURAGED THAT THE
SPECTS FOR ESTABLISHING AN ECONOMIC RELATIONSHIP AND
MAKING THESE AGREEMENTS IN THE FORESEEABLE FUTURE ARE
GOOD.

Q: ARE YOU SAYING THAT IN TERMS OF WHAT YOU HAVE SUCCEEDED
IN DOING IS SETTING UP AN AGENDA FOR FUTURE NEGOTIATIONS?
IS THAT WHAT IT AMOUNTS TO?

A: NO, I AM SAYING WHAT I HAVE BEEN SAYING ALL ALONG, MR
LEVINE.

Q: MR SECRETARY, HAS YOUR MISSION BEEN ENTIRELY
UNAFPECTED BY THE CONFLICT ON THE BORDER?

A: IT HAS NOT BEEN AFFECTED BY IT.

Q: MR SECRETARY, THE PROGRESS THAT YOU HAVE MADE ON
THE CLAIMS/ASSETS ISSUE - CAN YOU GIVE US SOME INDICA-
TION OF WHAT THAT HAS BEEN - MORE SPECIFICALLY?

A: I WOULD RATHER NOT GO FURTHER AT THIS POINT AND
INDICATE THAT WE HAVE MADE SUBSTANTIAL PROGRESS, BUT ARE
CONTINUING TO WORK ON THIS PROBLEM.

Q: IS THERE PROGRESS IN THE SENSE OF DEFINING WHAT THE
PROBLEM IS OR PROGRESS IN THE SENSE OF HAVING SETTLED SOME
SPECIFIC ELEMENT OF IT?

A: IT IS PROGRESS NOT ONLY IN DEFINING BUT IN HARRROWING
DIFFERENCES OF POINTS OF VIEW, WORKING THEM OUT AND
REACHING AN AGREEMENT. IN THAT SENSE WE HAVE
MADE CONSIDERABLE PROGRESS.

Q: MR SECRETARY, DECIDING WHAT THE CONTENT OF A TRADE
AGREEMENT WOULD BE - WAS IT AGREED THAT THERE SHOULD BE

SETS IN TERMS OF DOLLARS OR VOLUME CORRELATED OVER THE
PERIOD OF AGREEMENT?

A: IT WAS AGREED THAT THERE SHOULD BE SUBSTANTIAL
INCREASES IN THE VOLUME OF TRADE THAT SHOULD BE EXPRESSED
IN VOLUME TERMS.

Q: MR SECRETARY, YOU WERE ASKED THIS MORNING BY ONE
OF THE BUSINESSMEN IF YOU KNEW ANYTHING ABOUT THE
CHINESE REPORTED DECISION TO CANCEL A NUMBER OF
CONTRACTS WITH JAPANESE TRADING COMPANIES, ABOUT
\$7 BILLION WORTH OF CONTRACTS. YOU DIDN'T KNOW ANY-
THING THIS MORNING. HAVE YOU HAD A CHANCE TO LEARN
ANYTHING ABOUT THAT?

A: NOT A MOMENT'S CHANCE TO LEARN ANYTHING ABOUT IT.
HAVEN'T HEARD ABOUT IT SINCE AND HAVEN'T INQUIRED INTO
IT SINCE. I HAVE BEEN TOO BUSY NEGOTIATING AND DOING
A FEW OTHER THINGS. I JUST DON'T KNOW ANY MORE.

Q: MR SECRETARY, I'D LIKE TO ASK THIS GENTLEMAN'S QUESTION
ANOTHER WAY. HAS THERE BEEN ANY INDICATION THAT THE
CHINESE ARE UNHAPPY OVER THE US CRITICISM OF THE WAR,
IS IT CAUSING THEM TO DRAG THEIR FEET OVER SOME OF THESE
ISSUES?

A: I HAVE HAD NO INDICATION OF THAT.

Q: MR SECRETARY, HAVE YOU BEEN IN CONTACT WITH PRESIDENT
CARTER ON THE WAR ISSUES DURING THE PAST FOUR DAYS?

A: THAT QUESTION HAS BEEN ASKED A NUMBER OF TIMES AND I
HAVE ANSWERED IT A NUMBER OF TIMES. I DON'T REALLY HAVE
ANYTHING FURTHER TO SAY ON THE ISSUE OF VIETNAM. I'D
LIKE TO CONCENTRATE ON THE TRADE CONSIDERATIONS.

Q: MR SECRETARY, AT THIS POINT IN THE NEGOTIATIONS
WHAT WOULD YOU PREDICT WHEN THE TRADE AGREEMENT MIGHT BE
READY FOR SIGNING?

A: I THINK IT WILL TAKE SEVERAL MONTHS BUT IT IS OUR
INTENTION TO TRY TO NEGOTIATE THAT AGREEMENT SO THAT
WE CAN PRESENT IT TO OUR CONGRESS THIS YEAR. THAT WOULD
CERTAINLY BE OUR HOPE.
THANK YOU MR SECRETARY.

END TEXT.
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